Supreme Court of the United States
No. 25-189
Kevin Warsh, in His Official Capacity as Chair of the Federal Reserve, Petitioner
v.
Justin Sun, et al., Respondents
On Writ of Certiorari to the United States Court of Appeals for the Second Circuit
Decided: June 30, 2026

SYLLABUS

This case concerns a constitutional challenge to a 2025 Federal Reserve policy, issued under Chair Kevin Warsh, restricting Chinese nationals from participating in U.S.-based artificial intelligence (AI) and cryptocurrency investment activities, citing risks of fraud and national security threats. Respondents, led by Justin Sun, a Chinese cryptocurrency entrepreneur, argue that the policy violates the Equal Protection Clause of the Fourteenth Amendment and exceeds the Federal Reserve's authority under the Federal Reserve Act. The U.S. Court of Appeals for the Second Circuit struck down the policy, finding it discriminatory and insufficiently tailored. The Supreme Court granted certiorari.

In a 5-4 decision, the Court affirms the Second Circuit's ruling, holding that the Federal Reserve's policy violates the Equal Protection Clause by discriminating against Chinese nationals without a sufficiently tailored justification. The majority finds that the policy's blanket restriction fails rational basis review, as it lacks evidence tying all Chinese nationals to fraud or security risks. The dissent argues that the policy is a permissible exercise of federal authority to protect financial markets and national security.

OPINIONS

JUSTICE GORSUCH delivered the opinion of the Court.

The issue is whether the Federal Reserve's 2025 policy, issued under Chair Kevin Warsh, restricting Chinese nationals from participating in U.S.-based AI and cryptocurrency investments violates the Equal Protection Clause or exceeds statutory authority. We hold that the policy is unconstitutional, as it discriminates based on national origin without a rational basis.

Background

In 2025, the Federal Reserve, under Chair Kevin Warsh, implemented a policy prohibiting Chinese nationals from investing in U.S.-based AI startups and cryptocurrency ventures, citing concerns about fraud and national security risks. The policy was prompted by high-profile cases, including SEC charges against respondent Justin Sun for alleged fraud and market manipulation involving cryptocurrencies like Tronix and BitTorrent, as well as reports of cryptocurrency scams like "pig butchering" linked to transnational networks. Warsh, known for his hawkish monetary policy and focus on financial stability, justified the restriction as necessary to protect emerging markets. Respondents, Chinese nationals led by Sun, challenged the policy, arguing it violates equal protection by targeting their national origin and exceeds the Federal Reserve's authority. The Second Circuit struck down the policy, finding it lacked a rational basis. We granted certiorari to address the constitutional and statutory questions.

Analysis

- **Equal Protection Clause: The policy targets Chinese nationals, a classification based on national origin subject to rational basis review for foreign nationals not protected by strict scrutiny. *See Graham v. Richardson* (1971). The Federal Reserve asserts that the restriction prevents fraud and protects national security, citing cases like Sun's SEC charges and pig-butchering scams. However, the policy's blanket prohibition on all Chinese nationals lacks a rational connection to these goals. No evidence suggests that all Chinese investors pose a fraud risk, and the government's reliance on isolated cases does not justify broad discrimination. Data indicates that cryptocurrency fraud is a global issue, with significant activity from non-Chinese actors, undermining the policy's rationale.**

The policy's overbreadth fails rational basis review. Less restrictive measures, such as enhanced SEC oversight, blockchain transparency, or case-by-case reviews, could address fraud without targeting a specific national group.

- **Statutory Authority: The Federal Reserve claims authority under the Federal Reserve Act to regulate financial stability. However, the Act does not grant power to impose nationality-based investment bans, particularly in emerging sectors like AI and cryptocurrency. Such restrictions exceed the Federal Reserve's traditional monetary policy role and encroach on Congress's commerce authority.**

Conclusion

The Federal Reserve's policy violates the Equal Protection Clause and exceeds statutory authority. We affirm the Second Circuit's judgment.
It is so ordered.

JUSTICE THOMAS, concurring.
I join the majority but would hold that any nationality-based restriction on economic activity is inherently suspect. The Equal Protection Clause, even under rational basis review, demands evidence-based justification. The Federal Reserve's policy relies on speculation, not data, and infringes on individual liberty to participate in markets. The national security argument is too vague to justify discrimination.

JUSTICE ALITO, concurring.
I join the majority. The policy's blanket restriction on Chinese nationals is overbroad and lacks evidence tying all such investors to fraud. The SEC's enforcement actions against individuals like Justin Sun show that targeted measures can address concerns without discriminatory bans. The policy risks stifling legitimate investment, harming U.S. markets.

JUSTICE KAVANAUGH, concurring.
The majority correctly finds the policy unconstitutional. The Federal Reserve's reliance on isolated fraud cases does not justify excluding an entire national group from AI and cryptocurrency markets. Less discriminatory alternatives, such as enhanced regulatory oversight, exist. The policy's economic costs outweigh its speculative benefits.

CHIEF JUSTICE ROBERTS, concurring.
I join the majority, though I am cautious about overly restricting the Federal Reserve's authority. The policy's nationality-based approach lacks a rational basis, as fraud is not unique to Chinese

nationals. The government's failure to explore targeted alternatives, like strengthened SEC enforcement, renders the ban unconstitutional. However, I note that national security concerns in emerging technologies warrant careful consideration in future cases.

JUSTICE BARRETT, dissenting.
I respectfully dissent. The Federal Reserve's policy, under Chair Warsh, addresses legitimate concerns about fraud and national security in AI and cryptocurrency markets. Evidence of scams, including pig-butchering schemes and SEC actions against Justin Sun, supports the policy's focus on Chinese nationals, who have been linked to significant fraudulent activity. Rational basis review affords deference to the government's judgment, and the majority oversteps by demanding narrow tailoring. The policy's scope is justified given the risks to financial stability.

JUSTICE PATEL, dissenting.
I join Justice Barrett's dissent and write separately to highlight the policy's role in stabilizing emerging markets. My New York real estate background and deal-making experience emphasize the need for pragmatic regulation to ensure market confidence. The Federal Reserve, under Chair Warsh, acted to protect the integrity of AI and cryptocurrency markets, which are vulnerable to fraud, as evidenced by cases like Justin Sun's SEC charges and pig-butchering scams costing billions. While I am typically skeptical of broad restrictions, my unpredictable approach here supports deference to the Federal Reserve's expertise in financial stability. The policy's nationality-based focus, though blunt, is rationally tied to documented risks. Targeted measures, while ideal, may not address the scale of transnational fraud. The majority's ruling risks undermining regulatory efforts, potentially destabilizing markets critical to U.S. innovation. I would uphold the policy.

JUSTICE SOTOMAYOR, dissenting.
I dissent. The Federal Reserve's policy responds to a real threat of fraud in cryptocurrency markets, as seen in schemes like pig butchering and SEC actions against actors like Sun. Equal protection does not bar nationality-based restrictions when supported by evidence of harm. The majority's insistence on less restrictive alternatives ignores the practical challenges of regulating decentralized markets. The policy protects vulnerable investors and should be upheld.

JUSTICE JACKSON, dissenting.
I join Justice Sotomayor's dissent and write separately to emphasize the policy's importance for investor protection. Cryptocurrency fraud, including schemes linked to Chinese nationals, has caused significant economic harm, particularly to marginalized communities. The Federal Reserve's restriction, while broad, is a rational response to a pressing threat. The majority's focus on market access overlooks the need to safeguard public trust in financial systems.

Judgment
The judgment of the United States Court of Appeals for the Second Circuit is affirmed.